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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 9

NIHON KEIZAI (Page 2) (Full)  
January 10, 2007

08:57

Issued an appoint letter to Defense Minister Kyuma at Kantei.  
Afterwards, attended a cabinet meeting.

09:42

Received a salute from an honor guard at Defense Ministry. Later,  
met with Kyuma and then attended the ceremony commemorating the  
shift of the JDA to a ministry.

10:18

Attended a party executives' meeting at LDP headquarters. Secretary  
General Nakagawa remained. Later, joined the first work of the party  
this year.

11:03

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Attended a government-ruling camp liaison meeting at Kantei.  
Afterwards, met with Chief Cabinet Secretary Shiozaki and Deputy  
Chief Cabinet Secretary Matoba.

12:01

Met with Cabinet Intelligence Director Mitani.

12:44

Left Haneda Airport on a government plane.

(Local time)

Afternoon

Arrived at Heathrow Airport in London, Britain.

4) "Nuclear submarine was cruising underwater" according to US  
Navy's account when the collision occurred

ASAHI (Page 31) (Full)  
January 10, 2007

A US nuclear-powered submarine collided with the Japanese  
supertanker, the Mogamigawa, in the southern part of the Strait of  
Hormuz in the Persian Gulf. On this accident, the US Navy yesterday  
revealed that the nuclear submarine hit the tanker when cruising  
underwater. When a submarine navigates underwater, it is allegedly  
obligated to avoid any collision. Upon the return home of the  
tanker's crew, the Japan Coast Guard (JCG) will question them under  
domestic law and investigate how the collision occurred.

According to Kawasaki Kisen Kaisha, Ltd., when the collision  
occurred, two crewmembers were on lookout for sea and the radar, but  
reportedly they did not recognize any figure or lights of the  
submarine beforehand.

Meanwhile the US Navy's 5th Fleet announced that an accident  
occurred while the US submarine the Newport News "was navigating  
underwater" in the Strait of Hormuz. The Navy is collecting data  
showing the details of damage to the submarine, but it says there  
are no reports of any damage to the engine (nuclear reactor) or any  
radiation leakage. The bow of the submarine seems to have struck the  
left rear side of the tanker.

According to maritime experts, the UN Conference on the Law of the  
Sea allows a submarine to submerge when it navigates on the high  
seas. But when the submarine submerges, ships can't find out the  
location of the submarine, so the submarine is obligated to avoid  
any collision.

The Mogamigawa is a Japanese vessel, so Japanese law will be applied  
to the collision case this time. The JCG will question the captain

of the ship and other crewmembers under the Rule of Sea and other laws.

5) With shift to ministry status, Defense Ministry aims to become a policy-planning office; May conflict with Foreign Ministry over relations with US

MAINICHI (Page 2) (Excerpts)  
January 10, 2007

Nobutake Yamashita

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The Defense Agency (JDA) yesterday was formally upgraded to a ministry as the 11th one in the government. Following this upgrade, the Ministry of Defense (MOD) aims to depart from the previous status of the management office over the Self-Defense Forces (SDF) to become a policy-planning office. The ministry aims to amend the Defense Ministry Establishment Law in the upcoming ordinary session of the Diet in order to implement the reorganization of the internal offices in September. But a number of tasks remain to be resolved. The focus of attention in the days ahead is likely to be on what to do about the role-sharing with the Ministry of Foreign Affairs (MOFA), with which the JDA had previously worked together to chart a security policy, and with the Japanese version of the national security council (NSC) planned to be established in the Prime Minister's Official Residence (Kantei).

"The Ministry of Defense needs to have a strategic viewpoint when considering the future of the state and also needs to strengthen the policy-planning functions so that the ministry can meet not only our country's security but also the international community's expectations." Defense Minister Fumio Kyuma thus stressed the need to beef up the policy-planning capability expected from the ministry at the ceremony commemorating the promotion of the JDA to a ministry yesterday.

In the process of the reorganization, the MOD will establish a "US force realignment liaison post" in the Minister's Secretariat, which will be responsible for the realignment of USFJ. It will also establish a "Japan-US defense cooperation division" and an "international policy division" in the Defense Policy Bureau in order to enhance relations with national defense officials of other countries.

On the other hand, the MOD's relations with MOFA are somewhat delicate. The JDA, which had increased its influence, leveraged by such elements as overseas dispatches of the SDF, has occasionally taken the lead in the talks with the US over the realignment of the US forces in Japan, and even a senior MOFA official noted, "The JDA has outsmarted MOFA." At the time of North Korea's nuclear tests in last October, a conflict between the JDA and MOFA over the concept of situations in areas surrounding Japan (or contingencies around Japan) surfaced. Both ministries are likely to engage in a tug of war in the coming months.

6) Mounting challenges awaits Defense Agency, including US force realignment, promotion of MD system; Ministry to transform itself into policymaking body speedily

YOMIURI (Page 2) (Abridged slightly)  
January 10, 2007

The Defense Agency was upgraded to the Defense Ministry yesterday. With the Self-Defense Force's international peacekeeping activities also upgraded to primary duties, the ministry is now being pressed to transform itself into a true policymaking government body. With many policy challenges lying ahead, such as the realignment of US forces in Japan and the promotion of a missile defense system, the newly established Defense Ministry must now overcome its structural weakness in human resources compared to other ministries.

Uniqueness

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"We must change ourselves in order to become a true policymaking body. The ministry's policymaking functions must be strengthened not only for the security of Japan but also in order to fully meet the expectations of the international community."

In a speech at the ceremony yesterday, Defense Minister Fumio Kyuma underscored the need to strengthen the ministry's policymaking functions by repeatedly using the expression "policymaking ministry." The ministry is tasked with proceeding with such challenges as US force realignment, including the planned relocation of Futenma Air Station in Okinawa, improving the MD system, and continued reconstruction assistance in Iraq on the one hand, and planning medium to long-term security policies on the other.

But chances are that the more the Defense Ministry tries to exhibit its uniqueness, the more discord will break out with the Foreign Ministry, which now oversees relations with the US, and with the Prime Minister's Official Residence (Kantei), which is studying the option of creating a Japanese-version National Security Council (NSC) will be pronounced over role-sharing and adjusting views.

In fact, while Prime Minister Shinzo Abe is eager to establish a permanent law on SDF overseas missions, Kyuma again took a cautious view yesterday, saying, "We must first determine on what kind of mission the SDF should be dispatched overseas to accomplish."

Cultivating human resources

A lack of home-grown talented senior officers is also a headache for the Defense Ministry.

Vice-minister candidates have come from such offices as the Finance Ministry and the National Police Agency. Of the 28 past vice defense ministers, only five hailed from the Defense Agency. This can be explained partially by the fact that the ministry has not hired those who passed the advanced examination for national civil servants for its administrative posts for a long time.

Incumbent Vice Defense Minister Takemasa Moriya, who comes from the Defense Agency, assumed office in August 2003. Now in his fourth year, Takemasa has been in the post for an unusually long time. Takemasa's expected retirement from the post this summer reflects the ministry's shortfall in human resources.

In the wake of a series of improprieties involving SDF personnel, including information leaks, Moriya issued under the date of Jan. 9 a notice seeking an improved education system, including the strict observance of regulations by SDF personnel. The Defense Ministry intends to enhance training programs for defense officials and officers.

7) Government decides to defer on a plan to submit to the ordinary Diet session a bill for establishing a permanent law on overseas troop dispatches out of concern for impact on Upper House election

MAINICHI (Page 2) (Full)  
January 10, 2007

Yu Koyama

The government decided to defer on a plan to submit to the ordinary Diet session to be convened on Jan. 25 a bill for the establishment

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 01//07

of a permanent law stipulating the requirements for overseas dispatches of Self-Defense Forces (SDF) personnel. With the promotion yesterday of the Defense Agency to the Ministry of Defense, the SDF personnel's overseas operations have now become major duties. Taking advantage of this occasion, the government is trying to establish a permanent law on overseas dispatches of the

SDF in order to expand their duties, but it has decided to defer the submission of the bill out of consideration for a possible impact on the Upper House election slated for July. The government also has decided to postpone coming up with a conclusion on the study of adding changes to the interpretation of the Constitution's Article 9 as called for by Prime Minister Shinzo Abe so that the conclusion will be reflected in the permanent bill on overseas dispatches.

Regarding this permanent bill, the government formed a study team (composed of some 20 persons) in the Cabinet Secretariat in August 2003, and the team has been preparing legislation to date. At the New Year's press conference on Jan. 4, the prime minister indicated he was positive about that legislation, noting, "We need to rebuild a legal basis for security to meet the needs of the times." But the New Komeito, the junior coalition partner of the government, is cautious about such matters as relaxing the rules for the use of weapons and the expansion of the SDF duties ahead of the Upper House election. In addition, Defense Minister Fumio Kyuma stated at a press conference yesterday: "In order to move forward discussions, we need to sort out the way of the use of weapons and the duties."

8) Kyuma considering making changes to sanjikan system, including abolishing it and appointing uniformed officers

ASAHI (Page 1) (Excerpts)  
January 10, 2007

In the wake of the Defense Agency's upgrade to the Defense Ministry, Defense Minister Fumio Kyuma announced a policy direction in a press conference yesterday to review the current director-general (sanjikan) system of Defense Ministry officials not in uniform assisting the defense minister to either abolish it altogether or make fundamental changes to it. The system, introduced from bitter lessons learned from the military's reckless actions during the war, is designed to allow the Diet and cabinet to exercise civilian control and non-uniformed officers to control uniformed personnel. A review would increase the importance of control of the Self-Defense Forces by the prime minister and the Diet.

Kyuma said regarding the system: "It has been 50 years since the system was established. I've been wonder if it should be left as it is. I think we should consider (changing it)." When he was serving as defense agency chief 10 years ago, Kyuma also tried to appoint a uniformed officer as chief of the then education bureau to educate and train SDF personnel. But his attempt failed due to the Defense Agency Establishment Law, which stipulated to appoint sanjikan as bureau chiefs.

9) Defense Ministry inaugurated: Opposition camp criticizes upgrade as dangerous move

TOKYO SHIMBUN (Page 2) (Full)  
January 10, 2007

In response to the inauguration of the Defense Ministry, opposition parties stepped up criticism of Prime Minister Abe, who is aiming at

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continuing Self-Defense Forces' activities in Iraq and revising the interpretation of the Constitution, which bans the exercise of the right to collective self-defense.

Democratic Party of Japan (DPJ or Minshuto) Secretary General Yukio Hatoyama during a press conference pointed out, "A set of bills to upgrade the Self-Defense Agency to a status of ministry stipulated in a manner like fishing in troubled waters that SDF operations in Iraq should be made mainstay operations." He also stated, "The Iraq war itself was mistaken. The Air Self-Defense Force is still operating in Iraq. I want Japan to quickly become aware of the mistake." He thus criticized the government for continuing ASDF operations in Iraq.

Japanese Communist Party head of the Secretariat Tadayoshi Ichida during a press briefing criticized the upgrade of the Defense Agency to ministry status as a "very dangerous move that is being promoted

with two wheels of a cart along with the move to change the interpretation of the Constitution." Social Democratic Party head Mizuho Fukushima also stressed during a press conference: "The first step for the SDF to act along with US forces on global battle fields has been taken. I feel a sense of alarm about that."

10) Okinawa expresses willingness to accept V-shaped Futenma relocation plan

YOMIURI (Page 2) (Abridged slightly)  
January 10, 2007

Okinawa Vice Gov. Zenki Nakazato has conveyed Gov. Hirokazu Nakaima's wishes to Vice Defense Minister Takemasa Moriya that the prefectural government would accept the government's plan to build V-shaped runways on the coastline of Camp Schwab to take over functions of Futenma Air Station with minor changes to it, sources said yesterday. Now that Okinawa has conveyed its willingness to accept the V-shaped plan on the condition of minor changes, the situation might move forward toward a breakthrough.

According to the sources, Nakazato told Moriya on Jan. 8: "Moving the envisaged runways to a point in restricted waters (within 500 meters from the shore) would be in the scope of the Japan-US agreement. The anti-base group would not be able to block it." In response, Moriya only said, "The government's plan cannot be changed."

Meanwhile, Defense Minister Fumio Kyuma has indicated that he would not have to stick to the government's plan, saying, "As long as an agreement is reached among the US, the central government, and affected municipalities, anything will do." Kyuma also said in a press conference after the cabinet meeting yesterday, "There are people who rule out any change to a plan once an agreement is reached between governments. Such thinking is too stiff."

Whether or not the government can work things out with the US is uncertain. A Defense Ministry official noted yesterday: "Okinawa's suggestion for minor changes might serve as a settlement line."

11) Okinawa calls for minor changes in V-shape runway construction plan

TOKYO SHIMBUN (Page 1) (Full)  
January 10, 2007

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The Okinawa prefectural government has proposed to the Defense Ministry minor changes in the plan agreed on between Japan and the United States last May to build runways in a V-shape formation in a coastal area of Camp Schwab in Nago as alternative heliport functions of the US Marine Corps' Futenma Air Station in Ginowan. Under the proposal, the runways would be built farther from the shore than under the agreed plan but within the restricted waters, the aim being to avoid obstructive moves by base opponents. The Okinawa government's revised plan was revealed for the first time.

Okinawa Vice Governor Zenki Nakazato presented the proposal when he met with Administrative Vice Defense Minister Takemasa Moriya in Tokyo on Jan. 8. Nakazato asked Moriya that the ministry should seriously look into the revised plan, saying, "Since our plan calls for constructing runways in the V-shape formation and within the restricted waters, it should be within the scope of minor change. The plan is highly feasible because there will be no need to alter the agreement between Japan and the US." The restricted waters are under the control of the US military, and other vessels than US military ships are not allowed to enter the area.

Nakazato also asked Moriya not to start such procedures as the environmental assessment before a plan agreeable to Okinawa is readied. Moriya stopped short of giving a clear-cut reply.

12) Yamasaki visiting Pyongyang attaching importance to dialogue; Kantei infuriated at dual diplomacy

Former Vice President of the Liberal Democratic Party (LDP) Taku Yamasaki yesterday arrived in North Korea. His visit to the nation is aimed at finding a breakthrough in the stalemated efforts to settle such issues as North Korea's nuclear test and abduction of Japanese nationals through a dialogue policy. However, the Prime Minister's Official Residence (Kantei), which is promoting a pressure policy, is reacting fiercely against his visit. Criticism calling Yamasaki's Pyongyang visit dual diplomacy is mounting.

Yamasaki decided to visit Pyongyang because he is convinced that in order to settle the North Korea issue, efforts for dialogue and persuasion are necessary. Yamasaki has indicated his view every now and then that the Abe administration is biased toward pressure, such as economic sanctions. When he held a party in Fukuoka City on Jan. 5, he said, "The Abe administration has applied pressure until the last moment, but the situation has not improved."

Yamasaki met with a senior North Korean official in Dalian, China, in April 2004 before then Prime Minister Koizumi visited the North for the second time. He has thus this channel for direct talks with North Korea. In an effort to positively promote dialogue with the North, he also proposed to former Prime Minister Koizumi to visit the North after it test-fired ballistic missiles and carried out a nuclear test.

With the determination to unlock the door for the reinstatement of the dialogue policy, Yamasaki during his visit to the North this time intends to confirm the validity of the Japan-North Korea Pyongyang Declaration, which mentions settling the nuclear issue and resuming talks for normalization of bilateral ties. He has of course

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ambition as a politician. However, most government officials and ruling party members are critical of his visit to North Korea with one LDP senior official noting, "His visit to Pyongyang has more negative elements than positive elements."

Prime Minister Shinzo Abe during a press conference yesterday expressed his displeasure on an unusually sober note: "Japan is applying pressure on North Korea, including economic sanctions. I would like him to act, based on this basic policy."

The prime minister is aiming at settling issues with North Korea by strengthening pressure. His measures include independently invoking economic sanctions against the nation for its nuclear test. He is increasingly concerned that if Yamasaki makes a statement to senior North Korea officials indicating that Japan would return to a dialogue policy, he would be sending a wrong message, as a senior government official put it.

In addition, the major principle is that the government is solely in charge of diplomacy. If Yamasaki pursues negotiations with the North without communications with the government, the North would seize upon the lack of cooperation and take advantage of this.

13) Government plans to recognize India as nuclear power as exception to non-proliferation regime, give priority to economic relations

YOMIURI (Top play) (Excerpt)  
January 10, 2007

The government yesterday firmed up its intention to cooperate with India, a country that possesses nuclear weapons, in the civilian use of nuclear power and to allow Japanese companies to participate in such related projects as construction of nuclear power plants. Specifically, Japan has opened the way for such projects by announcing its support for the US-India nuclear-power cooperation pact that includes assistance from the US for India's civilian use nuclear power and recognizes India as a nuclear-weapons possessing state. This is an exceptional step in the non-proliferation policy



of Japan, which firmly upholds the Nuclear Non-Proliferation Treaty (NPT).

14) Minshuto to focus on social disparities in Diet session, with eye on Upper House election

ASAHI (Page 3) (Excerpts)  
January 10, 2007

Minshuto (Democratic Party of Japan) decided in an executive meeting yesterday to define the regular Diet session to be convened on Jan. 25 as "a session focusing on the challenge of redressing social disparities." Prime Minister Abe is willing to make constitutional revision and educational reform as campaign issues for the coming House of Councillors elections, but the main opposition party is ready to focus on social disparities. The party plans to present a disparity-correction bill that would include specific necessary measures in hopes of underscoring its eagerness to address the widening disparities in society in wide-ranging areas, such as employment and labor, pension and welfare, as well as parental care.

Participating in the executive meeting were Acting President Naoto

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Kan, Secretary General Yukio Hatoyama, and Upper House Chairman Azuma Koshiishi.

Specific measures will be worked out under the lead of Policy Research Council Chairman Takeaki Matsumoto. Minshuto plans to come up with measures to redress the disparities in income and welfare between regular and part-time workers. In an interview held at the end of last year, Kan said, "Although a part-timer does similar work to that by a regular employee at a low standard, there is a significantly wide gap in (their wages)." President Ozawa emphatically said in an NHK program on Jan. 7: "The ratio of irregular workers to the total should be determined based on a quota system. We will work out measures to provide such workers with the same level of salary and prepare a proper social security system for them."

Kan has cited specific measures to (1) partially freeze the law to help people with disabilities be independent, which provides for the 10% individual payment for welfare services in principle; (2) raise the deduction for public pension to deal with the tax hikes for those who live only on pension; and (3) expand those eligible for scholarship money.

15) Lawmaker Eto: Funding source for salaries paid to secretary unclear: Secretary received 200,000 yen to 300,000 yen from Eto and 10 million yen from information company

YOMIURI (Page 1) (Slightly Abridged)  
January 10, 2007

The state-paid senior secretary (57) to Lower House member Seishiro Eto (65), former Defense Agency director general, raised funds topping 100 million yen on the pretext of fees for subscription to brochures, when he was a private secretary to Eto. In this connection, it was found that almost the full amount of salaries that were claimed to have been paid to two employees of Information Service - 10 million yen a year, now disbanded brochure publisher in Osaka, was actually paid as a salary to this secretary. The only employees of the company were this secretary and his family members. The secretary himself revealed this during an interview with the Yomiuri Shimbun.

Since this secretary's stated salary was only 200,000 yen to 300,000 yen a year, chances are that the secretary in effect received a salary from this company.

According to the account given by the secretary, Eto paid him several million yen a year as salary when he was assigned to Tokyo as his private secretary. However, because he established a company when he was assigned to Osaka as Eto's private secretary, his salary

then was only 200,000 yen to 300,000 yen a year. However, he insisted that income he received from Information Service was not compensation for the salary he received for his secretarial post.

However, Takeshi Tsuchimoto, professor of criminal law at Hakuo Graduate School, pointed out: "If this secretary earned high remunerations for collecting brochure fees but received almost no salary as a secretary, it can be said that the company was shouldering a burden that should have been assumed by the lawmaker. This is indeed a clever way of doing things. It is in a way a bypassed donation. There is the possibility of such a practice infringing on the Political Funds Control Law, which bans corporate

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donations to individual politicians."

Eto apologizes, but denies possibility of bypassed donations

Eto yesterday held a press conference at his office in Saeki City, Oita Prefecture. He totally denied the allegation that bypassed donations were made and that collected funds were used to pay the secretary a salary. He said, "It was my secretary's business. There

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was no wrongdoing in the practice at all."

DONOVAN